

CHICAGO, ILL.,  
December 23, 1965.

HON. WILBUR D. MILLS,  
*Ways and Means Committee,*  
*House of Representatives,*  
*Washington, D.C.*

DEAR MR. MILLS: I am advised that H.R. 11297 provides that foreign corporations be taxed in the United States on their worldwide income in any way "effectively connected" with the conduct of a trade or business in the United States. As the chairman of your committee for some years, I am virtually certain that you are aware that the discrimination and identification of various species and sources of income have for about 45 years rested on the little words "derived from sources within the United States" and "derived from sources without the United States": These phrases have undergone the refinement and the gloss of scores of Treasury rulings and court cases, and have come to have such significance and meaning as to give some certainty and definition to the law. In fact, there are few phrases in the code which are by this time better known, more lucid in their present interpretation and more of a stabilizing force for the proper respecting and understanding of the law applicable.

The words "effectively connected" have no meaning in tax history, either by analogy or precedent: They inject novelty, uncertainty and ambiguity into an area otherwise orderly and sound. As a student and worker in the foreign tax-foreign operations field for some 15 years, I respectfully urge that this new bill be considered at very great length before permitting the eradication of those other sections of the law which have served so well for decades to accurately identify the sources of virtually all forms of income. I realize that the argument will be made that the superaddition of the words "effectively connected" do not destroy the meaning of the old source tests: I submit to you that the source tests have already been established effectively and responsibly, and that instead of adding to their existing vigor, the new words destroy their meaning.

Yours sincerely,

ANDREW W. BRAINERD, Esq.

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BRISTOL-MYERS Co.,  
*New York, N.Y., February 15, 1966.*

Re H.R. 11297, Foreign Investor's Tax Act of 1965.

HON. WILBUR D. MILLS,  
*House of Representatives,*  
*Washington, D.C.*

SIR: H.R. 11297 introduces a new concept into the Internal Revenue Code; namely, that foreign corporations engaged in trade or business in the United States would be taxed on worldwide income "effectively connected" therewith. Heretofore foreign corporations engaged in trade or business in the United States have been subject to U.S. income tax only on U.S. source income.

Because the term "effectively connected" is a brandnew term having vast implications to companies such as ours with worldwide foreign